

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Kochville Township	County Saginaw
Fiscal Year End March 31, 2007	Opinion Date August 30, 2007	Date Audit Report Submitted to State September 19, 2007	

We affirm that:

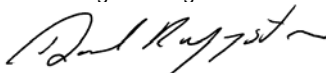
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | YES | NO | |
|-----|-------------------------------------|-------------------------------------|---|
| | | | Check each applicable box below. (See instructions for further detail.) |
| 1. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| 2. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| 3. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| 7. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| 14. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Yeo & Yeo CPA's and Business Consultants		Telephone Number 989-793-9830	
Street Address 3023 Davenport		City Saginaw	State MI
Zip 48602			
Authorizing CPA Signature 	Printed Name David R Youngstrom	License Number A262757	

Kochville Township

Saginaw, Michigan

**Annual Financial Statements
and
Auditors' Report**

March 31, 2007

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Kochville Township
List of Elected and Appointed Officials
March 31, 2007

Township Board

Patricia Bourdow – Supervisor

Crystal M. Kauer – Treasurer

Sheila Hill – Clerk

Randall Norton – Trustee

Independent Auditors' Report

Township Board
Kochville Township
Saginaw, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of Kochville Township as of and for the year ended March 31, 2007, which collectively comprise the Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kochville Township as of March 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2007 on our consideration of Kochville Township internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kochville Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Township has not presented Management's Discussion and Analysis that accounting principals generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Yeo & Yeo, P.C.

Saginaw, Michigan
August 30, 2007

Kochville Township
Statement of Net Assets
March 31, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 676,087	\$ 1,688,101	\$ 2,364,188	\$ 72,398
Receivables				
Taxes	36,471	-	36,471	14,953
Customers	-	83,239	83,239	-
Special assessments	-	765,683	765,683	-
Accrued interest and other	9,512	24,773	34,285	-
Due from other units of government	55,531	-	55,531	230,088
Internal balances	(476,153)	476,153	-	-
Inventories	-	37,044	37,044	-
Capital assets not being depreciated	111,298	63,729	175,027	-
Capital assets, net of accumulated depreciation	<u>1,764,517</u>	<u>5,297,546</u>	<u>7,062,063</u>	<u>-</u>
Total assets	<u>2,177,263</u>	<u>8,436,268</u>	<u>10,613,531</u>	<u>317,439</u>
Liabilities				
Accounts payable	23,131	41,110	64,241	-
Accrued and other liabilities	88,284	8,239	96,523	-
Due to other units of government	456	-	456	-
Noncurrent liabilities				
Due within one year	7,706	29,400	37,106	-
Due in more than one year	<u>74,260</u>	<u>312,200</u>	<u>386,460</u>	<u>-</u>
Total liabilities	<u>193,837</u>	<u>390,949</u>	<u>584,786</u>	<u>-</u>
Net assets				
Invested in capital assets, net of related debt	1,793,849	5,019,675	6,813,524	-
Unrestricted	<u>189,577</u>	<u>3,025,644</u>	<u>3,215,221</u>	<u>317,439</u>
Total net assets	<u>\$ 1,983,426</u>	<u>\$ 8,045,319</u>	<u>\$ 10,028,745</u>	<u>\$ 317,439</u>

See Accompanying Notes to Financial Statements

Kochville Township
Statement of Activities
For the Year Ended March 31, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 293,144	\$ -	\$ -	\$ -	\$ (293,144)	\$ -	\$ (293,144)	\$ -
Public safety	149,324	27,985	25,533	866	(94,940)	-	(94,940)	-
Public works	163,388	172,982	-	-	9,594	-	9,594	-
Community and economic development	147,403	-	-	-	(147,403)	-	(147,403)	-
Recreation and culture	30,991	2,750	-	1,116	(27,125)	-	(27,125)	-
Interest on long-term debt	5,725	-	-	-	(5,725)	-	(5,725)	-
Total governmental activities	789,975	203,717	25,533	1,982	(558,743)	-	(558,743)	-
Business-type activities								
Sewer	427,057	219,726	-	19,250	-	(188,081)	(188,081)	-
Water	872,657	545,895	-	-	-	(326,762)	(326,762)	-
Total business-type activities	1,299,714	765,621	-	19,250	-	(514,843)	(514,843)	-
Total primary government	\$ 2,089,689	\$ 969,338	\$ 25,533	\$ 21,232	(558,743)	(514,843)	(1,073,586)	-
Component unit								
Downtown Development Authority	\$ 242,411	\$ -	\$ -	\$ -				(242,411)
General revenues								
Property taxes					342,542	-	342,542	412,938
State shared revenue					223,285	-	223,285	-
Unrestricted investment earnings					55,954	98,970	154,924	381
Miscellaneous					15,073	7,199	22,272	-
Total general revenues					636,854	106,169	743,023	413,319
Change in net assets					78,111	(408,674)	(330,563)	170,908
Net assets - beginning of year					1,905,315	8,453,993	10,359,308	146,531
Net assets - end of year					\$ 1,983,426	\$ 8,045,319	\$ 10,028,745	\$ 317,439

See Accompanying Notes to Financial Statements

Kochville Township
Governmental Funds
Balance Sheet
March 31, 2007

	<u>Special Revenue Funds</u>			Total
	<u>General</u>	<u>Fire</u>	<u>Building Inspection</u>	<u>Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 574,590	\$ 63,056	\$ 38,441	\$ 676,087
Receivables				
Taxes	22,700	13,771	-	36,471
Accrued interest and other	140	9,372	-	9,512
Due from other units of government	<u>55,531</u>	<u>-</u>	<u>-</u>	<u>55,531</u>
Total assets	<u>\$ 652,961</u>	<u>\$ 86,199</u>	<u>\$ 38,441</u>	<u>\$ 777,601</u>
Liabilities				
Accounts payable	\$ 21,248	\$ 1,806	\$ 77	\$ 23,131
Accrued and other liabilities	83,586	-	-	83,586
Advance from other funds	476,153	-	-	476,153
Due to other units of government	456	-	-	456
Deferred revenue	<u>40,280</u>	<u>13,771</u>	<u>-</u>	<u>54,051</u>
Total liabilities	<u>621,723</u>	<u>15,577</u>	<u>77</u>	<u>637,377</u>
Fund balances				
Unreserved, reported in				
General fund	31,238	-	-	31,238
Special revenue funds	<u>-</u>	<u>70,622</u>	<u>38,364</u>	<u>108,986</u>
Total fund balances	<u>31,238</u>	<u>70,622</u>	<u>38,364</u>	<u>140,224</u>
Total liabilities and fund balances	<u>\$ 652,961</u>	<u>\$ 86,199</u>	<u>\$ 38,441</u>	<u>\$ 777,601</u>

See Accompanying Notes to Financial Statements

Kochville Township
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2007

Total fund balances for governmental funds	\$ 140,224
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,875,815
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	54,051
Certain liabilities are not due and payable in the current period and are not reported in the funds. Accrued interest	(4,698)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(81,966)</u>
Net assets of governmental activities	<u><u>\$ 1,983,426</u></u>

Kochville Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2007

	<u>Special Revenue Funds</u>			Total
	<u>General</u>	<u>Fire</u>	<u>Building Inspection</u>	<u>Governmental Funds</u>
Revenues				
Taxes	\$ 220,012	\$ 106,074	\$ -	\$ 326,086
Licenses and permits	12,138	-	42,376	54,514
Federal grants	-	866	-	866
State revenue sharing	222,232	-	-	222,232
Other state grants	-	25,533	-	25,533
Local contributions	3,593	-	-	3,593
Charges for services	118,885	27,985	150	147,020
Interest income	48,125	4,985	2,844	55,954
Rental income	2,880	-	-	2,880
Other revenue	10,275	1,595	29	11,899
Total revenues	<u>638,140</u>	<u>167,038</u>	<u>45,399</u>	<u>850,577</u>
Expenditures				
Current				
General government	232,227	-	-	232,227
Public safety	-	153,633	-	153,633
Public works	95,943	-	67,445	163,388
Community and economic development	147,403	-	-	147,403
Recreation and culture	30,991	-	-	30,991
Capital outlay	25,119	10,135	-	35,254
Debt service				
Principal retirement	-	7,400	-	7,400
Interest and fiscal charges	-	5,725	-	5,725
Total expenditures	<u>531,683</u>	<u>176,893</u>	<u>67,445</u>	<u>776,021</u>
Excess (deficiency) of revenues over expenditures	<u>106,457</u>	<u>(9,855)</u>	<u>(22,046)</u>	<u>74,556</u>
Other financing sources (uses)				
Transfers in	25,523	-	-	25,523
Transfers out	-	(25,523)	-	(25,523)
Total other financing sources and uses	<u>25,523</u>	<u>(25,523)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	131,980	(35,378)	(22,046)	74,556
Fund balance (deficit) - beginning of year	(100,742)	106,000	60,410	65,668
Fund balance - end of year	<u>\$ 31,238</u>	<u>\$ 70,622</u>	<u>\$ 38,364</u>	<u>\$ 140,224</u>

See Accompanying Notes to Financial Statements

Kochville Township
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2007

Net change in fund balances - Total governmental funds \$ 74,556

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(107,927)
Capital outlay	89,366

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue
in the funds.

State shared revenue	1,053
Property taxes	16,456

Expenses are recorded when incurred in the statement of activities

Accrued interest	(2,793)
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Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in
fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not
affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds
but reduces the liability in the statement of net assets.

Repayments of long-term debt	<u>7,400</u>
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Change in net assets of governmental activities **\$ 78,111**

Kochville Township
Proprietary Funds
Statement of Net Assets
March 31, 2007

	Enterprise Funds		
	Sewer	Water	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 723,095	\$ 965,006	\$ 1,688,101
Receivables			
Customers	29,700	53,539	83,239
Accrued interest and other	-	24,773	24,773
Inventories	-	37,044	37,044
Total current assets	<u>752,795</u>	<u>1,080,362</u>	<u>1,833,157</u>
Noncurrent assets			
Special assessments receivable, deferred	278,170	487,513	765,683
Advances to other funds	240,000	236,153	476,153
Capital assets not being depreciated	63,729	-	63,729
Capital assets, net of accumulated depreciation	<u>2,315,222</u>	<u>2,982,324</u>	<u>5,297,546</u>
Total noncurrent assets	<u>2,897,121</u>	<u>3,705,990</u>	<u>6,603,111</u>
Total assets	<u>3,649,916</u>	<u>4,786,352</u>	<u>8,436,268</u>
Liabilities			
Current liabilities			
Accounts payable	19,528	21,582	41,110
Accrued and other liabilities	8,239	-	8,239
Current portion of noncurrent liabilities	<u>29,400</u>	<u>-</u>	<u>29,400</u>
Total current liabilities	<u>57,167</u>	<u>21,582</u>	<u>78,749</u>
Noncurrent liabilities			
Long-term debt net of current portion	<u>312,200</u>	<u>-</u>	<u>312,200</u>
Total liabilities	<u>369,367</u>	<u>21,582</u>	<u>390,949</u>
Net assets			
Invested in capital assets, net of related debt	2,037,351	2,982,324	5,019,675
Unrestricted	<u>1,243,198</u>	<u>1,782,446</u>	<u>3,025,644</u>
Total net assets	<u>\$ 3,280,549</u>	<u>\$ 4,764,770</u>	<u>\$ 8,045,319</u>

See Accompanying Notes to Financial Statements

Kochville Township
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended March 31, 2007

	Enterprise Funds		
	Sewer	Water	Total
Operating revenue			
Customer fees	\$ 219,726	\$ 478,045	\$ 697,771
Connection fees	19,250	67,850	87,100
Other revenue	-	7,199	7,199
Total operating revenue	<u>238,976</u>	<u>553,094</u>	<u>792,070</u>
Operating expenses			
Personnel services	63,859	140,893	204,752
Supplies	2,716	268,337	271,053
Contractual services	17,468	38,112	55,580
Utilities	190,713	1,879	192,592
Repairs and maintenance	-	22,451	22,451
Other expenses	13,349	19,709	33,058
Depreciation	<u>97,907</u>	<u>122,675</u>	<u>220,582</u>
Total operating expenses	<u>386,012</u>	<u>614,056</u>	<u>1,000,068</u>
Operating loss	<u>(147,036)</u>	<u>(60,962)</u>	<u>(207,998)</u>
Nonoperating revenue (expenses)			
Interest income	48,436	50,534	98,970
Interest expense	(41,045)	-	(41,045)
Special assessment refunds	<u>-</u>	<u>(258,601)</u>	<u>(258,601)</u>
Total nonoperating revenues (expenses)	<u>7,391</u>	<u>(208,067)</u>	<u>(200,676)</u>
Change in net assets	(139,645)	(269,029)	(408,674)
Net assets - beginning of year	<u>3,420,194</u>	<u>5,033,799</u>	<u>8,453,993</u>
Net assets - end of year	<u>\$ 3,280,549</u>	<u>\$ 4,764,770</u>	<u>\$ 8,045,319</u>

See Accompanying Notes to Financial Statements

Kochville Township
Proprietary Funds
Statement of Cash Flows
For the Year Ended March 31, 2007

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers	\$ 228,309	\$ 519,359	\$ 747,668
Payments to suppliers	(224,055)	(350,146)	(574,201)
Payments to employees	<u>(63,859)</u>	<u>(140,893)</u>	<u>(204,752)</u>
Net cash provided (used) by operating activities	<u>(59,605)</u>	<u>28,320</u>	<u>(31,285)</u>
Cash flows from capital and related financing activities			
Proceeds from special assessments	5,041	212,588	217,629
Purchases/construction of capital assets	(3,259)	(9,777)	(13,036)
Principal and interest paid on long-term debt	(3,800)	(258,601)	(262,401)
Repayment of interfund borrowings	<u>-</u>	<u>17,901</u>	<u>17,901</u>
Net cash used by capital and related financing activities	<u>(2,018)</u>	<u>(37,889)</u>	<u>(39,907)</u>
Cash flows from investing activities			
Interest received	<u>48,436</u>	<u>52,440</u>	<u>100,876</u>
Net change in cash and cash equivalents	(13,187)	42,871	29,684
Cash and cash equivalents - beginning of year	<u>736,282</u>	<u>922,135</u>	<u>1,658,417</u>
Cash and cash equivalents - end of year	<u><u>\$ 723,095</u></u>	<u><u>\$ 965,006</u></u>	<u><u>\$ 1,688,101</u></u>

See Accompanying Notes to Financial Statements

Kochville Township
Proprietary Funds
Statement of Cash Flows
For the Year Ended March 31, 2007

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating loss	\$ (147,036)	\$ (60,962)	\$ (207,998)
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	97,907	122,675	220,582
Changes in assets and liabilities			
Receivables (net)	(10,667)	(33,735)	(44,402)
Inventories	-	137	137
Accounts payable	382	205	587
Accrued and other liabilities	<u>(191)</u>	<u>-</u>	<u>(191)</u>
Net cash provided (used) by operating activities	<u>\$ (59,605)</u>	<u>\$ 28,320</u>	<u>\$ (31,285)</u>

Kochville Township
Fiduciary Funds
Statement of Assets and Liabilities
March 31, 2007

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 370,338</u>
Liabilities	
Accounts payable	\$ 3,564
Due to component unit	230,088
Due to other units of government	<u>136,686</u>
Total liabilities	<u>\$ 370,338</u>

See Accompanying Notes to Financial Statements

Kochville Township

Notes to Financial Statements

March 31, 2007

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Kochville Township is governed by an elected five-member Board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Discretely Presented Component Units – The component unit column in the entity wide financial statements include the financial data of the Government's Downtown Development Authority. This unit is reported in a separate column to emphasize that it is legally separate from the Government. The members of the Governing Board of the Downtown Development Authority are appointed by the Township Board. The budgets and expenditures of the Downtown Development Authority must be approved by the Township Board. The Government also has the ability to significantly influence operations of the Downtown Development Authority. The Downtown Development Authority does not issue any other form of financial statements except as contained in the Kochville Township annual financial statements.

Joint Venture

Kochville Township entered into a joint venture with the City of Zilwaukee, Carrollton Township and the Charter Township of Saginaw to create the Northwest Utilities Authority. This Authority was established to operate and service the sewage transmission system to the City of Saginaw's waste water treatment plant. The Authority sold bonds to construct the system of which the portion Kochville Township is liable for is based on the pro-rata share of the

average of the past three years of metered flow readings. Monthly payments are made to the Authority for operation and maintenance, for capital improvements and for debt service. Separate financial statements are issued by the Northwest Utilities Authority.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Kochville Township
Notes to Financial Statements
March 31, 2007

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for the revenue and expenditures for the government's fire protection.

The Building Inspection Fund accounts for the revenue and expenditures of the government's building inspection operation.

The government reports the following major proprietary funds:

The Water Fund and the Sewer Fund account for the activities of the water distribution system and sewage collection system.

Additionally, the government reports the following:

The Agency Funds account for property tax and other deposits collected on behalf of other units and individuals.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function

Kochville Township
Notes to Financial Statements
March 31, 2007

and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water funds and the internal service funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities, and Net Assets or Equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair

value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2006 taxable valuation of the government totaled \$177,084,787, on which ad valorem taxes consisted of 0.9766 mills for operating purposes and 1.0000 mill for fire protection. This resulted in \$172,941 for operating expenses and \$177,085 for fire protection, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Inventories – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories of governmental funds are recorded as expenditures when purchased.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in

Kochville Township
Notes to Financial Statements
March 31, 2007

excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and sewer lines	50 to 75 years
Vehicles	3 to 5 years
Office equipment computer equipment	5 to 7 years
Computer equipment	3 to 7 years

Compensated absences –There is no liability for unpaid accumulated vacation and sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government.

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the government's financial statements.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to March 31, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to March 31.

Kochville Township

Notes to Financial Statements

March 31, 2007

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

The Township incurred expenditures in excess of budget in the General Fund, Fire Fund, and the Downtown Development Authority. Excess expenditures occurred in the following activities:

	Budget	Actual	Excess
General Fund			
Community development	\$ 128,460	\$ 147,403	\$ 18,943
Parks and recreation	29,300	30,991	1,691
Downtown Development Authority			
Capital outlay	101,767	157,241	55,474

Note 3 - Deposits and Investments

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit risk – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks;

commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$2,698,166 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Receivables and Deferred Revenue

The only receivables not expected to be collected within one year are as follows:

	Due After One Year
Primary government	
Special assessments	
Sewer	\$ 278,170
Water	487,513
	<u>\$ 765,683</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

Kochville Township
Notes to Financial Statements
March 31, 2007

	<u>Unavailable</u>		<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Primary government						
State shared revenue	\$ 17,580	Business-type activities				
Property taxes	<u>36,471</u>	Capital assets not being depreciated	\$ 107,876	\$ -	\$ 44,147	\$ 63,729
	<u>\$ 54,051</u>	Construction in progress				

Note 5 - Capital Assets

Capital assets activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 111,298	\$ -	\$ -	\$ 111,298
Capital assets being depreciated				
Land improvements	543,098	-	-	543,098
Buildings, additions and improvements	905,990	-	-	905,990
Machinery and equipment	376,327	-	-	376,327
Vehicles	<u>617,738</u>	<u>89,366</u>	-	<u>707,104</u>
Total capital assets being depreciated	<u>2,443,153</u>	<u>89,366</u>	-	<u>2,532,519</u>
Less accumulated depreciation for				
Land improvements	4,882	35,907	-	40,789
Buildings, additions and improvements	229,592	26,544	-	256,136
Machinery and equipment	208,787	31,073	-	239,860
Vehicles	<u>216,814</u>	<u>14,403</u>	-	<u>231,217</u>
Total accumulated depreciation	<u>660,075</u>	<u>107,927</u>	-	<u>768,002</u>
Net capital assets being depreciated	<u>1,783,078</u>	<u>(18,561)</u>	-	<u>1,764,517</u>
Governmental activities capital assets, net	<u>\$ 1,894,376</u>	<u>\$ (18,561)</u>	\$ -	<u>\$ 1,875,815</u>

Capital assets being depreciated				
Machinery and equipment	153,654	13,036	-	166,690
Vehicles	71,338	-	-	71,338
Water system	4,226,279	44,147	-	4,270,426
Sewer system	<u>3,885,895</u>	-	-	<u>3,885,895</u>
Total capital assets being depreciated	<u>8,337,166</u>	<u>57,183</u>	-	<u>8,394,349</u>
Less accumulated depreciation for				
Machinery and equipment	48,114	23,995	-	72,109
Vehicles	54,247	6,423	-	60,670
Sewer system	<u>2,773,860</u>	<u>190,164</u>	-	<u>2,964,024</u>
Total accumulated depreciation	<u>2,876,221</u>	<u>220,582</u>	-	<u>3,096,803</u>
Net capital assets being depreciated	<u>5,460,945</u>	<u>(163,399)</u>	-	<u>5,297,546</u>
Business-type capital assets, net	<u>\$ 5,568,821</u>	<u>\$ (163,399)</u>	<u>\$ 44,147</u>	<u>\$ 5,361,275</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 58,124
Public safety	<u>49,803</u>
Total governmental activities	<u>107,927</u>
Business-type activities	
Sewer	97,907
Water	<u>122,675</u>
Total business-type activities	<u>220,582</u>
Total primary government	<u>\$ 328,509</u>

Kochville Township
Notes to Financial Statements
March 31, 2007

Note 6 - Interfund Receivables, Payable, and Transfers

Year ending December 31,

Advances at year end are as follows:

2008 \$ 4,608
2009 3,072

Advances due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>\$ 7,680</u>
Water	General	\$ 236,153	
Sewer	General	<u>240,000</u>	
		<u>\$ 476,153</u>	

The general fund is planning on repaying the advances plus interest with excess general fund revenues in the coming year.

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
Fire	General	<u>\$ 25,523</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Note 7 - Leases

Operating Leases

The government leases a copier under non-cancelable operating leases. Total costs for such leases were \$ 4,608 for the year ending March 31, 2007. The future minimum lease payments for these leases are as follows:

Kochville Township
Notes to Financial Statements
March 31, 2007

Note 8 - Long-Term Debt

The government has entered into a contract payable to provide for the acquisition and construction of major capital projects. Contract payables are direct obligations and pledge the full faith and credit of the government.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Bonds and notes payable									
Contract payable									
Fire Rescue Vehicle	\$89,366	2015	4.125%	\$7,706 - \$10,648	\$ 89,366	\$ -	\$ 7,400	\$ 81,966	\$ 7,706
Business-type activities									
Bonds and notes payable									
Contracts payable									
Northwest Utilities Authority	\$2,970,000	2017	4.5-4.6%	\$29,400 - \$36,224	\$ 345,400	\$ 22,400	\$ 26,200	\$ 341,600	\$ 29,400

Kochville Township
Notes to Financial Statements
March 31, 2007

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 7,706	\$ 3,381	\$ 29,400	\$ 15,714
2009	8,023	3,063	30,100	14,049
2010	8,354	2,732	31,400	12,695
2011	8,699	2,388	32,100	11,282
2012	9,058	2,029	33,400	9,837
2013 - 2017	40,126	4,221	185,200	25,453
	<u>\$ 81,966</u>	<u>\$ 17,814</u>	<u>\$ 341,600</u>	<u>\$ 89,030</u>

Note 9 - Risk Management

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 - Employee Retirement and Benefit System – Defined Contribution Plan

The Township has a defined contribution money purchase pension plan (the Plan) covering all employees who are at least 18 years of age. New employees are enrolled as Plan participants on April 1, the first day of each Plan year. The Plan is administered by the Township Office Manager and its activities are accounted for in the Pension Trust Fund of the Township's basic financial statements.

Required annual contributions to the Plan are based on each

employee's annual compensation. Currently, the Township contributes 100% of the total required annual contribution. Employees may elect to make voluntary contributions to the Plan through payroll withholdings. Total annual contributions are subject to the Internal Revenue Code limitations. The Township's contributions are fully vested for each employee upon the earlier of the completion of twenty months of service, reaching 65 years of age, permanent disability, or death.

The Township's payroll covered under the Plan for the year ended March 31, 2007 was \$124,781. The Township's required annual contribution to the Plan was \$17,071. There were no employee contributions made.

Note 11 - Deferred Compensation Plan

The government Board offers all government employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457.

Note 12 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Note 13 - Upcoming Accounting and Reporting Changes

The Government Accounting Standards Board has issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits other than Pensions*. The new pronouncement provides

Kochville Township
Notes to Financial Statements
March 31, 2007

guidance for local units of government in recognizing the cost of retiree health care. The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2010.

The Government Accounting Standards Board has issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving *receivables* should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2006.

The Government Accounting Standards Board has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses how to account for pollution remediation activities of the effects of *existing* pollution. It does not include *prevention* or *control* activities nor future remediation required

upon retirement of an asset. In general, a liability will be recorded based on the *current value* of expected costs as estimated using the *expected cash flows method*. This statement is effective for financial statements with periods ending after December 15, 2007. However, measurement is required as of the beginning of the period.

Kochville Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property taxes	\$ 155,000	\$ 155,000	\$ 147,054	\$ (7,946)
Administration fee	66,000	66,000	72,958	6,958
Licenses and permits	10,000	10,000	12,138	2,138
State revenue sharing	224,000	224,000	222,232	(1,768)
Local contributions	-	-	3,593	3,593
Charges for services	107,000	107,000	118,885	11,885
Interest income	10,000	10,000	48,125	38,125
Rental income	-	-	2,880	2,880
Other revenue	3,000	3,000	10,275	7,275
Transfer in	-	-	25,523	25,523
	<u>575,000</u>	<u>575,000</u>	<u>663,663</u>	<u>88,663</u>
Total revenues				
Expenditures				
General government				
Township board	18,200	20,700	24,273	3,573
Supervisor	17,190	17,190	12,048	(5,142)
Accounting	116,300	115,900	121,073	5,173
Clerk	18,150	18,150	13,736	(4,414)
Board of review	2,220	2,220	1,523	(697)
Treasurer	22,200	22,200	19,137	(3,063)
Assessor	20,300	19,800	20,483	683
Elections	3,850	4,450	4,848	398
Buildings and grounds	12,000	12,000	15,106	3,106
	<u>230,410</u>	<u>232,610</u>	<u>232,227</u>	<u>(383)</u>
Total general government				

Kochville Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Public works				
Drains	\$ 10,000	\$ 10,000	\$ 700	\$ (9,300)
Highways, streets and bridges	-	250	1,515	1,265
Street lighting	12,500	10,000	9,530	(470)
Sanitary land fill	88,000	85,000	84,198	(802)
Total public works	<u>110,500</u>	<u>105,250</u>	<u>95,943</u>	<u>(9,307)</u>
Community and economic development				
Planning	56,960	126,960	146,211	19,251
Board of appeals	2,100	1,500	1,192	(308)
Total community and economic development	<u>59,060</u>	<u>128,460</u>	<u>147,403</u>	<u>18,943</u>
Recreation and culture				
Parks and recreation	25,800	29,300	30,991	1,691
Capital outlay	17,450	28,850	25,119	(3,731)
Transfers out	100,000	18,750	-	(18,750)
Total expenditures	<u>543,220</u>	<u>543,220</u>	<u>531,683</u>	<u>(11,537)</u>
Excess of revenues over expenditures	31,780	31,780	131,980	100,200
Fund balance (deficit) - beginning of year	<u>(100,742)</u>	<u>(100,742)</u>	<u>(100,742)</u>	<u>-</u>
Fund balance (deficit) - end of year	<u>\$ (68,962)</u>	<u>\$ (68,962)</u>	<u>\$ 31,238</u>	<u>\$ 100,200</u>

Kochville Township
Required Supplemental Information
Budgetary Comparison Schedule
Fire Fund
For the Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 150,000	\$ 150,000	\$ 106,074	\$ (43,926)
Federal grants	-	-	866	866
Other state grants	9,000	9,000	25,533	16,533
Charges for services	30,000	30,000	27,985	(2,015)
Interest income	-	-	4,985	4,985
Other revenue	-	-	1,595	1,595
	<u>189,000</u>	<u>189,000</u>	<u>167,038</u>	<u>(21,962)</u>
Total revenues				
Expenditures				
Current				
Public safety	162,160	162,160	153,633	(8,527)
Capital outlay	6,541	6,541	10,135	3,594
Debt service				
Principal retirement	7,400	7,400	7,400	-
Interest and fiscal charges	6,000	6,000	5,725	(275)
Transfers out	25,523	25,523	25,523	-
	<u>207,624</u>	<u>207,624</u>	<u>202,416</u>	<u>(5,208)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(18,624)	(18,624)	(35,378)	(16,754)
Fund balance - beginning of year	106,000	106,000	106,000	-
Fund balance - end of year	<u>\$ 87,376</u>	<u>\$ 87,376</u>	<u>\$ 70,622</u>	<u>\$ (16,754)</u>

Kochville Township
Required Supplemental Information
Budgetary Comparison Schedule
Building Inspection
For the Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 90,000	\$ 90,000	\$ 42,376	\$ (47,624)
Charges for services	500	500	150	(350)
Interest income	-	-	2,844	2,844
Other revenue	<u>200</u>	<u>200</u>	<u>29</u>	<u>(171)</u>
Total revenues	<u>90,700</u>	<u>90,700</u>	<u>45,399</u>	<u>(45,301)</u>
Expenditures				
Current				
Public works	73,100	73,100	67,445	(5,655)
Capital outlay	<u>400</u>	<u>400</u>	<u>-</u>	<u>(400)</u>
Total expenditures	<u>73,500</u>	<u>73,500</u>	<u>67,445</u>	<u>(6,055)</u>
Excess (deficiency) of revenues over expenditures	17,200	17,200	(22,046)	(39,246)
Fund balance - beginning of year	<u>60,410</u>	<u>60,410</u>	<u>60,410</u>	<u>-</u>
Fund balance - end of year	<u>\$ 77,610</u>	<u>\$ 77,610</u>	<u>\$ 38,364</u>	<u>\$ (39,246)</u>

Kochville Township
Other Supplemental Information
Component Unit - Downtown Development Authority
Budgetary Comparison Schedule
For the Year Ended March 31, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ -	\$ -	\$ 397,985	\$ 397,985
Interest income	-	-	381	381
Total revenues	-	-	398,366	398,366
Expenditures				
Current				
Public works	90,101	90,101	80,631	(9,470)
Other functions	750	750	254	(496)
Capital outlay	101,767	101,767	157,241	55,474
Interest and fiscal charges	-	-	4,285	4,285
Total expenditures	192,618	192,618	242,411	49,793
Excess (deficiency) of revenues over expenditures	(192,618)	(192,618)	155,955	348,573
Fund balance - beginning of year	146,531	146,531	146,531	-
Fund balance (deficit) - end of year	\$ (46,087)	\$ (46,087)	\$ 302,486	\$ 348,573

Kochville Township
Component Unit - Downtown Development Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2007

Net change in fund balances - Total governmental funds	\$ 155,955
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Total change in net assets reported for governmental activities in the statement of activities
is different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue
in the funds.

Property taxes	<u>14,953</u>
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Change in net assets of governmental activities	<u>\$ 170,908</u>
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Kochville Township
Other Supplemental Information
Schedule of Indebtedness
March 31, 2007

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
Business-type Activities					
Contract payable - Northwest	4.60%	05/01/07	\$ 29,400	\$ 15,714	\$ 45,114
Utilities Authority	4.50%	05/01/08	30,100	14,049	44,149
Amount of issue - \$ 2,970,000	4.50%	05/01/09	31,400	12,695	44,095
Township share based on 2006-2007	4.50%	05/01/10	32,100	11,282	43,382
usage of 13.370%	4.50%	05/01/11	33,400	9,837	43,237
	4.50%	05/01/12	34,800	8,334	43,134
	4.50%	05/01/13	36,100	6,768	42,868
	4.50%	05/01/14	37,400	5,144	42,544
	4.50%	05/01/15	38,100	3,461	41,561
	4.50%	05/01/16	38,800	1,746	40,546
			<u>\$ 341,600</u>	<u>\$ 89,030</u>	<u>\$ 430,630</u>
Governmental Activities					
Contract payable - fire rescue vehicle	4.125%	12/01/07	\$ 7,706	\$ 3,381	\$ 11,087
Amount of issue - \$ 89,366	4.125%	12/01/08	8,023	3,063	11,086
	4.125%	12/01/09	8,354	2,732	11,086
	4.125%	12/01/10	8,699	2,388	11,087
	4.125%	12/01/11	9,058	2,029	11,087
	4.125%	12/01/12	9,431	1,655	11,086
	4.125%	12/01/13	9,821	1,266	11,087
	4.125%	12/01/14	10,226	861	11,087
	4.125%	12/01/15	10,648	439	11,087
			<u>\$ 81,966</u>	<u>\$ 17,814</u>	<u>\$ 99,780</u>

**Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
with Government Auditing Standards**

Township Board
Kochville Township
Saginaw, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of Kochville Township as of and for the year ended March 31, 2007, which collectively comprise Kochville Township's basic financial statements and have issued our report thereon dated August 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Kochville Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Kochville Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting as for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kochville Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan
August 30, 2007



3023 Davenport
Saginaw, MI 48602
(989) 793-9830 / (800) 968-0010
Fax (989) 793-0186

September 18, 2007

To the Township Board
Kochville Township

In planning and performing our audit of the financial statements of Kochville Township for the year ended March 31, 2007, we considered the Township's internal control system to determine our auditing procedures for the purposes of expressing an opinion on the financial statements and not to provide assurance on the internal controls.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments regarding those matters. This letter does not affect our report dated August 30, 2007, on the financial statements of Kochville Township.

Current Year Comment

Accounting Policies

As part of our audit planning procedures, we are required to obtain an understanding of internal control of the Township. Part of the internal control process is the communication of information, including the communication of how internal controls are designed and operating. During our audit planning procedures we noted that documentation of internal control policies and procedures was incomplete. We recommend that the Township completely document and disseminate all internal control policies and procedures in one document. This ensures that all employees understand what their responsibilities in internal control are. In addition, it ensures continuity of internal control procedures in the unfortunate event of employee turnover or unexpected absence. Documentation should not only indicate the flow of documents but also what internal control procedures are performed by each employee and what documentation is required to indicate a procedure was completed. The monitoring process should also be documented in these procedures manual, including who is responsible for monitoring, the minimum monitoring which must be done, and what documentation is required to indicate monitoring was performed.

DDA Tax Increment Financing Base Year

We noted that the Downtown Development Authority (DDA) was in litigation related to the base year for capture of certain taxes within the DDA boundaries. In the DDA legal counsel's letter to us, they feel that the DDA's position in this matter is legally supported. Our role as auditors is to keep the Township Board informed and make them aware that if an adverse decision were made against the DDA tax capture would be owed back to other taxing entities. We feel that the Township Board should be aware of this issue until it is resolved.

Prior Year General Fund Deficit

We are pleased to report that the Township has eliminated the deficit in the General Fund, and has a fund balance of about \$31,000 at the end of the March 31, 2007 fiscal year. We would like to commend the Township Board and management on the elimination of the deficit in the current year, but we urge the Township Board to remain diligent and rebuild General Fund balance to an adequate reserve level to meet the Townships needs.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with Township personnel. We will be pleased to discuss these items in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management and the Board and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



YEO & YEO, P.C.
CPAs and Business Consultants